

Adoption of Social Media by Fast-Growing Companies: Innovation Among the Inc. 500

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This study examines familiarity, usage, and attitudes towards social media among the fastest growing small businesses in the US as represented by the Inc. 500. The results show that these innovators are increasingly making use of social media tools to communicate with their customers, partners and vendors. The latest data in a 4-year longitudinal study shows changes in which tools are used and how marketing managers view the role of social media in their strategic plans.

INTRODUCTION

Rogers' theory of diffusion states that the level of perceived "newness" of a trend or product determines the reaction to it. If the idea seems new to the individual, it is an "innovation" (Rogers, 1960). Since Rogers' Diffusion of Innovation was released, many other diffusion and adoption of innovation theories have been developed. Just as Rogers' original theory was based on the individual, others focused on organizational adoption. According to Damanpour and Gopalakrishnan (1998), the adoption of an innovation means improved effectiveness or performance of the adopting organization, emphasizing that the environment has a great influence on the decision-making process of the adoption of an innovation. Ozanne and Churchill (1971) argue that the organizational adoption process is a decision process that eventually leads through the purchase to the implementation of an innovation. With respect to organizational adoption, two main stages may be distinguished: initiation and implementation. The adoption decision occurs between the initiation and the implementation stage (e.g., Zaltman et al., 1973).

Rogers later expanded his theory in 1995 and presented us with 4 additional adoption/diffusion theories, adding a macro-level focus to now include institution and systematic change initiatives (Carr, 1999). Perceived Attributes theory discusses the 5 attributes upon which an innovation is judged: trialability, observability, relative advantage, complexity, and compatibility. The Inc 500 have chosen to utilize specific social media tools based on these attributes.

Many view technology as challenging, and overly complex to first learn and comprehend. This is why IT departments came into existence. Social media is a form of communication whose sole purpose is to provide open communication between individuals, companies, consumers and everyone in between. Therefore, it has to be easy to use and the set-up or creation of a blog, facebook page or twitter account has remained straightforward and fast.

The trialability of an innovation refers to a user's ability to "try it out" (Rogers). In regards to social media, organizations can experiment with these tools without allotting a significant amount of time, money, or staff to this purpose. The necessary hardware is already available (computers, internet etc.) and many companies are incorporating the management of these tools into the job description of their marketing or public relations employees.

The compatibility of these new tools has shown to be a strong determinant in its adoption. It can be easily added to an organizations existing marketing strategies. Due to the fact that staff and equipment are already in place to handle these tools, social media is compatible with any workplace regardless of location, size or purpose. Social media also offers companies a relative advantage. Various studies have found that the perceived relative advantage of an innovation, defined as the degree to which an innovation is perceived as being better than the idea it supersedes (Rogers, 1983, p. 213), is one of the best predictors of the rate of adoption of innovations (see Tornatzky and Klein, 1982; Rogers, 1983; Onkvisit and Shaw, 1989; Robinson, 1990). Using these new communications tools allows organizations to reach their audience faster and more frequently than ever before. The dialog that is created is more honest and open, leading to more relevant feedback.

After attempting to first utilize these tools, many companies have added social media to their branding package, and yet, since the Internet emerged as a viable medium, how these organizations can effectively earn money from these communication tools has remained prominent (Picard). This is where observability becomes important. These companies are able to monitor outcomes. They do this by interpreting the number of fans or followers they have, or the numbers of hits and comments they receive. The level of interaction and the number of people interacting with you, through your social media channels is not only easy to measure, but also a strong indicator of success.

This study proves, for the first time that the Inc 500 are no longer adopting, but adapting. These companies are taking advantage of new tools not by increasing general usage, but by making more calculated decisions. They are now able to see success in using specific tools, and no purpose in others. Innovation research has shown that there can be a "reinvention" (Larson & Argarwalla-Rogers, 1977) of innovations during implementation. The end user can now modify the innovation in order to actually satisfy an organizations current need (Rice & Rogers 1980). While this may be risky, and is not guaranteed to be successful, the Inc. 500 have reinvented the way they use social media, and the data shows that they are more satisfied and confident in their utilization of these tools now than ever before (Lewis & Seibold).

METHODOLOGY

The University of Massachusetts Center for Marketing Research has conducted a series of surveys on the usage of Internet tools by fast-growing US corporations reported in the Inc. 500 rankings (Barnes and Lescault 2011). The Inc. magazine compiles these rankings annually and independently.

The sample covers four years, namely 2006, 2007, 2009 and 2010, making this a valuable and rare study on the trends in corporate adoption of these new technologies. (Most graphs contain only the last two years of data for visual clarity, but all past data is referenced in the text.)

The marketing executives at the Inc. 500 companies were interviewed by phone using a structured questionnaire. The response rates fluctuated between 24 percent and 42 percent across years, with a mean of 32%. The survey was run shortly after the publication of the list. The sampling error over the four years of data collection ranges from five percent to seven percent.

In 2010, changes in the industry composition of the Inc. 500 were reflected in our sample and impacted our statistics in ways we did not anticipate. An increase in companies providing Government Services (a result of some of the Obama initiatives) and those in the Financial Services Industry on the 2010 list has affected the overall statistic on adoption of social media for the Inc. 500, as these companies are less likely to use social media tools.

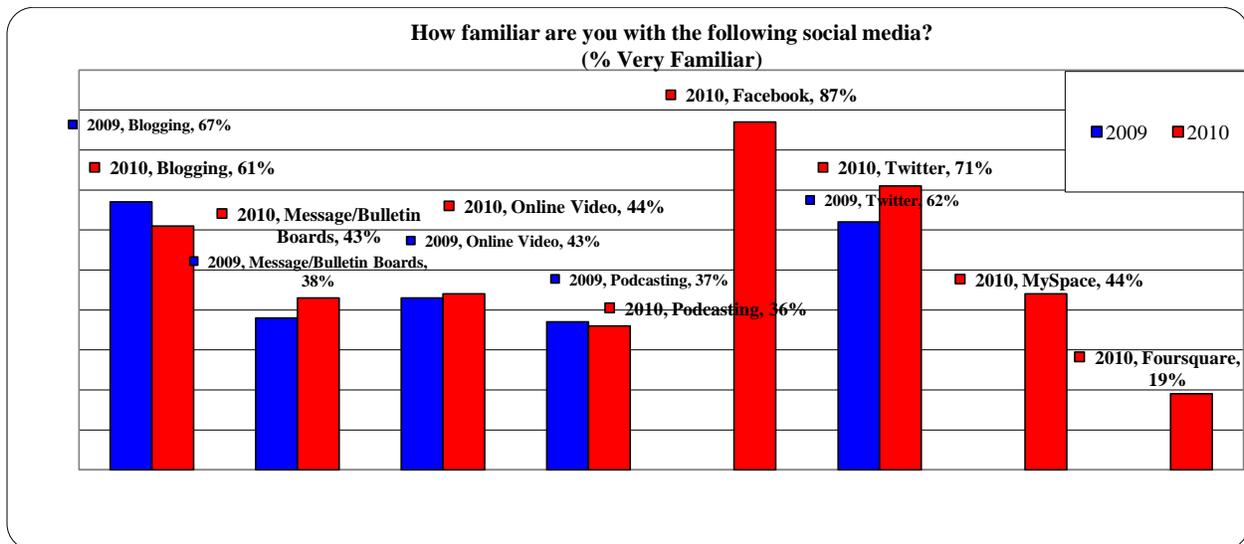
The 171 companies who responded to the latest iteration in 2010 were asked the same detailed questions concerning their usage and measurement of social media that were asked of the Inc. 500 in earlier years with minor exceptions. The original 2007 questions probed the familiarity of respondents with six prominent social media tools (blogging, podcasting, online video, social networking, message boards and wikis). Changes over the years include dropping wikis (used more as a collaboration tool than a communications/engagement tool) and changing the social networking category into more specific platforms including Twitter, Facebook, MySpace, LinkedIn and Foursquare.

In addition to questions about current usage, the responding marketing executives were asked about their intention to adopt the social media technologies they were not currently using and about their perceived level of success with tools they were using now. The research question concerning the importance of social media to each responding company’s marketing strategy was also repeated in this year in order to gain important trend data.

FINDINGS

Respondents were asked to rank their familiarity with each technology from "very familiar" to "very unfamiliar." The social media that has been most familiar to the Inc. 500 in all previous studies is social networking. This trend continues with Twitter and Facebook leading as the tools marketing executives are most familiar with. It is interesting to note that platforms that are relatively new have already garnered significant attention. The bottom line is that the Inc. 500 continues to learn about social media at a very quick pace (see graph 1).

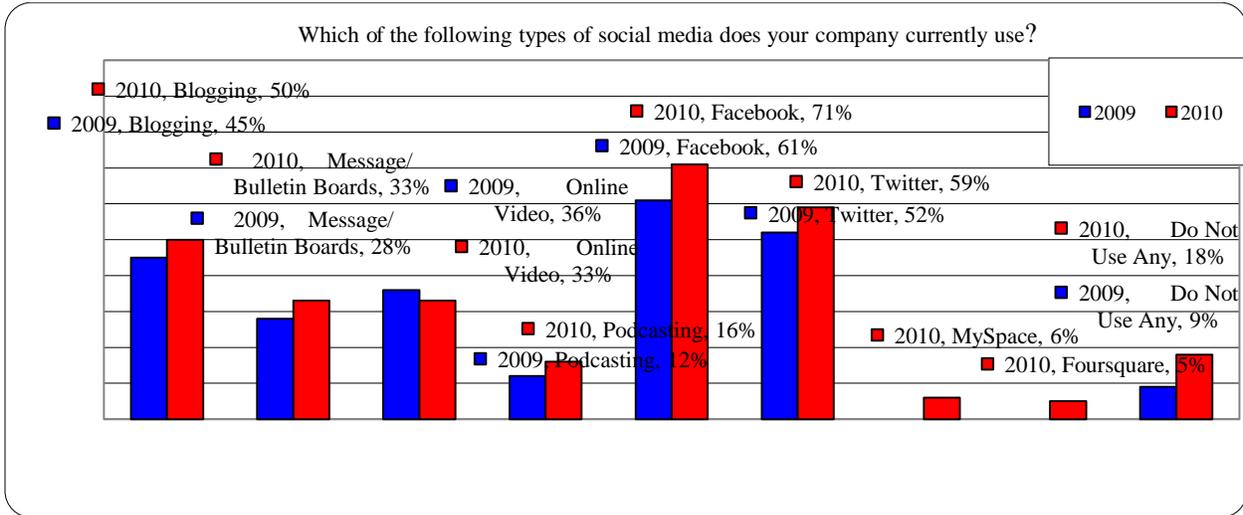
**GRAPH 1
FAMILIARITY WITH SOCIAL MEDIA TOOLS**



While familiarity is generally related to adoption, there are platforms where that does not apply. Forty-four percent of executives surveyed are familiar with MySpace, but only 6% report using it. This pattern continues with 19% being familiar with Foursquare but only 5% using it and podcasting with 36% familiar but 16% using the tool.

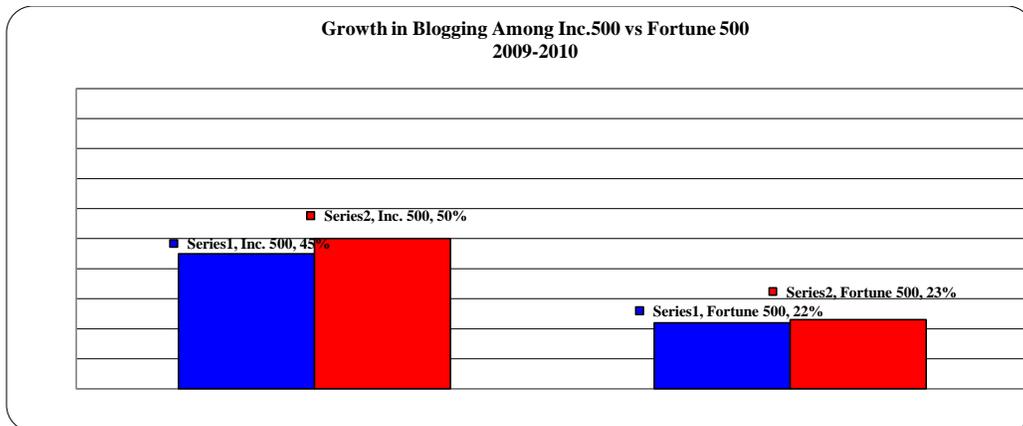
The addition of Twitter (considered by respondents as both a micro blogging site and a social networking site) in the latest study shows that 59% of the Inc. 500 are using this tool for their business (71% are familiar with it). Overall, 83% of the Inc. 500 report using at least one of the social media tools studied in 2010. (See graph 2).

GRAPH 2 SOCIAL MEDIA TOOLS CURRENTLY IN USE



The companies in the Inc. 500 continue to use corporate blogging more than the companies on the Fortune 500 list. From 2009 to 2010 blogging increased 1% among the Fortune 500 to 23%, while the Inc. 500 increased their adoption of blogging by 5% (to 50%). Blogging is now considered a mature tool in the social media arena. We might expect slower growth than that which we documented in 2007 or 2008. The Fortune 500 however, has never embraced this tool to the extent the Inc. 500 did. Blogging may have topped out in the Fortune 500, while the 5% increase in adoption among the Inc. 500 appears to show a continued interest in adopting this tool. (See graph 3)

GRAPH 3 GROWTH IN BLOGGING

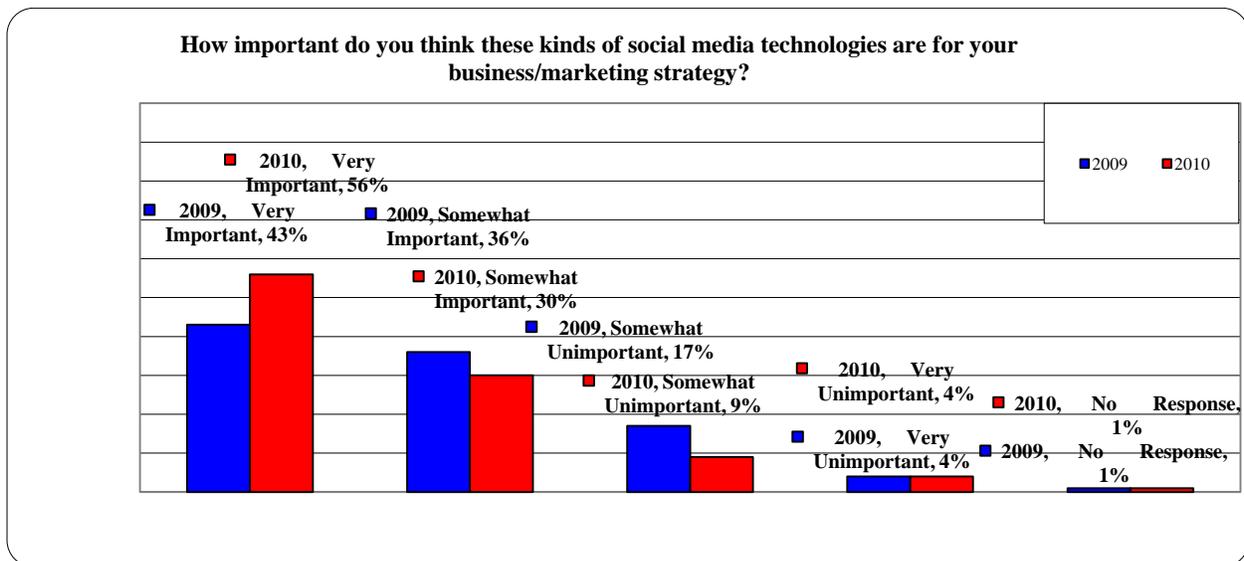


When the 2010 Inc. 500 was asked if they plan to adopt any of the social media technologies that they are not currently using, they affirmed their intent to continue immersing themselves in these tools. In virtually every instance where the tool has been examined over time, responses are fairly consistent. Since 2007, approximately 40-44% percent of those without corporate blogs intended to have one. Twenty-seven percent who did not have a business presence on Twitter in 2009, planned to move into that space. Even though the use of online video appears to have dropped slightly, the intent to adopt appears strong. Only MySpace garnered very little interest for these companies.

When asked if the use of social media has been successful for their business, the overwhelming response is that it has. Last year Twitter users reported an 82% success rate while every other tool studied also enjoyed high success levels. The lowest success rate in 2009 was reported with Facebook. Fifty-four percent characterized their use of Facebook as successful. This year, that jumped to 84%. Perceptions of success with Twitter remained virtually the same as last year. Most interesting is that only 5% of businesses are now using Foursquare and 6% use MySpace but of those using these tools, 36% say MySpace is successful for them and a whopping 75% see Foursquare as a successful tool.

Not only is this widespread adoption being driven by strong familiarity but also from the recognized critical role of social media to a company's future success in today's online world. When queried on the importance of social media, 26% of respondents in 2007 felt that social media was "very important" to their business and marketing strategy. That figure rose to 44% in approximately one year. It remained virtually the same in 2009, but jumped to 56% in 2010. It is clear that these fast-growing companies considers the use of social media to be a central part of their strategic plan (see graph 4).

**GRAPH 4
IMPORTANCE OF TOOLS**



Last year was the first time in this series of studies on the Inc. 500 that executives were asked if their company uses social media tools to communicate with other companies like vendors, suppliers or partners. They did report using social networking along with blogging to communicate with vendors and partners. This year, thirty-one percent report using Facebook for B2B communications. Twitter is now being used by 27% (up from 26% in 2009) for this purpose. It is interesting to note that 1 in 3 consider Facebook and 1 in 4 of these companies consider Twitter appropriate vehicles for B2B communications. This could signal an important change in the popular conception of both platforms and how they are being used. Blogging appears to be growing as a means of communication with vendors, suppliers and partners. In 2009, 18% used blogs for this purpose, while 22% are using them now.

IMPLICATIONS AND CONCLUSION

Social Networking Continues to Lead the Way

The platform most familiar to the 2010 Inc. 500 is Facebook with 87% of respondents claiming to be "very familiar" with it. Another noteworthy statistic is the 71% percent (up from 62% in 2009) of respondents stating they were "very familiar" with Twitter, the relatively new micro blogging and social

networking site. Forty-four percent say Facebook is the single most effective social networking platform they use.

Blogging Remains an Important Tool for the Inc. 500

Fifty percent of the 2010 Inc. 500 has a corporate blog, up from 45% in 2009 and 39% in 2008. Beyond the actual adoption of this tool, there is clear evidence that companies are using blogs effectively. There is a strong propensity to engage consumers through accepting and replying to comments and providing a vehicle for subscriptions. Thirty-four percent have developed policies to govern blogging by their employees. (Approximately 20% of the Fortune 500 has such policies.)

New Communications Tools are Changing the Way Successful Businesses Operate

Forty-three percent of the 2009 Inc. 500 reported social media was “very important” to their business/marketing strategy. That number jumps to 56% in 2010. In addition, 57% report using search engines and social networking sites to recruit and evaluate potential employees (also an increase from 2009). Social media is not only used for communication between business and consumers, but for communicating with vendors and partners as well.

Social Media Adoption Varies among the Inc. 500 Industries

Despite the fact that 83% of the 2010 Inc. 500 use at least one of the social media tools studied, adoption is skewed by industry. Government Services companies make up 12% of the 2010 Inc. 500, but 27% of those who **do not** use social media tools. Energy companies comprise 3% of the 2010 Inc. 500 but 17% of the non-users. Financial Services companies follow the same pattern holding 5% of the Inc. 500 slots, but 10% of the companies who have not yet adopted social media.

The data shows that the Inc 500 are utilizing all new communications tools to help their business to continue to grow and thrive in this tumultuous economic climate. They have adopted these new innovations based on Rogers’ 5 attributes. Thanks to the trialability, compatibility and lack of complexity of social media, the Inc 500. have been able to embrace these new tools, and have developed their own channels to share information with their customers and with other businesses. In the end they have been able to reinvent the way they use technology and the internet in order to provide clear and open lines of communication. By observing and monitoring the way consumers and other organizations were interacting with them through their blogs or social networking sites, these companies were able to see that there truly is a relative advantage, and that though success is not solely based on their social media usage, being able to confidently share your story with your stakeholders is a priceless asset for companies. It works for these organizations in particular, because they have the ability to think differently, and let the tools work for them.

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